

SURREBUTTAL TESTIMONY

OF

BILL L. VOSS

ACCOUNTING DEPARTMENT

FINANCIAL ANALYSIS DIVISION

ILLINOIS COMMERCE COMMISSION

AMERITECH ILLINOIS

DOCKET NOS. 98-0252/0335 (CONSOL.)

JANUARY 30, 2001

**TABLE OF CONTENTS**

Witness Identification.....	1
Description of Testimony.....	1
GCI Adjustment for Reciprocal Compensation.....	2
Revenue Requirement.....	4
Revenue Requirement Schedules.....	5
Interest Synchronization.....	7
Conclusion .....	7

1 WITNESS IDENTIFICATION

2 **Q. Please state your name and business address.**

3 A. My name is Bill L. Voss. My business address is 527 East Capitol Avenue,  
4 Springfield, Illinois 62701.

5 **Q. Have you previously offered testimony in this proceeding?**

6 A. Yes. My Direct Testimony was filed on November 3, 2000, and my Rebuttal  
7 Testimony was filed on January 11, 2001.

8 DESCRIPTION OF TESTIMONY

9 **Q. What is the purpose of your Surrebuttal Testimony in this proceeding?**

10 A. The purpose of my Surrebuttal Testimony is to comment on the rebuttal testimony  
11 filed by Government and Consumer Intervenors ("GCI") and to present the Staff  
12 revenue requirement for Ameritech Illinois ("AI" or "Company").

13 **Q. Are you sponsoring any schedules as part of Staff Exhibit 30.0?**

14 A. Yes. I have prepared the following schedules:

15	Schedule 30.01	Statement of Operating Income with Adjustments
16	Schedule 30.02	Adjustments to Operating Income
17	Schedule 30.03	Rate Base
18	Schedule 30.04	Adjustments to Rate Base
19	Schedule 30.05	Interest Synchronization

20 **Q. Please describe the organization of your surrebuttal testimony.**

21 A. My narrative testimony presents a discussion of GCI's rebuttal testimony pertaining  
22 to reciprocal compensation. This discussion is followed by the surrebuttal revenue  
23 requirement. My schedules follow the narrative testimony.

24 GCI ADJUSTMENT FOR RECIPROCAL COMPENSATION

25 **Q. Did you review the GCI rebuttal adjustment for reciprocal compensation**  
26 **expense?**

27 A. Yes. GCI witness Ralph C. Smith presents a discussion of reciprocal compensation  
28 in his rebuttal testimony.<sup>1</sup> On GCI Exhibit 6.3, Schedule E-18, Mr. Smith proposed a  
29 reduction to AI's test year expenses of \$33,322,000.

30 **Q. Do you agree that there should be an adjustment to AI's 1999 reciprocal**  
31 **compensation expense?**

32 A. No.

33 GCI witness Smith indicated AI's test year reciprocal compensation expense may  
34 have been overstated because AI recorded credits to its reciprocal compensation  
35 expense in March 2000 and June 2000. On GCI Exhibit 6.3, Schedule E-18, Mr.  
36 Smith calculated a "normal level" of test year reciprocal compensation expense  
37 based upon actual expenses for the 21-month period commencing January 1999  
38 and ending September 2000.

39 After speaking with AI representatives, it is my understanding that the expense  
40 adjustments recorded by AI in March 2000 and June 2000 were included in the test

---

<sup>1</sup> See Rebuttal Testimony of Ralph C. Smith, GCI Ex. 6.2, at pages 20 through 22, and GCI Exhibit 6.3, Schedule E-18.

year total company amounts found in column A of Ameritech Illinois Exhibit 7.0,  
Schedule 1.<sup>2</sup>

REVENUE REQUIREMENT

**Q. Please explain the development of your surrebuttal revenue requirement.**

A. The surrebuttal revenue requirement that I developed is based upon a historical test year ending December 31, 1999. The surrebuttal revenue requirement takes the information provided by AI on Ameritech Illinois Ex. 7.1, Schedules 1 and 2, and applies the Staff adjustments and the Staff overall rate of return to generate the test year surrebuttal revenue requirement for AI's intrastate operations. This surrebuttal revenue requirement includes adjustments presented in the Surrebuttal Testimony of Mary Everson, Staff Exhibit 32.0, and the Surrebuttal Testimony of Judith R. Marshall, Staff Exhibit 29.0.

**Q. What is the amount of the Staff test year surrebuttal revenue requirement for intrastate operating revenues?**

A. The amount of the Staff test year intrastate operating revenues is \$2,263,839,000. This amount is a reduction of \$824,600,000 from AI's intrastate operating revenues

---

<sup>2</sup> Conversation with James Deignan and AI witness Timothy Dominak on January 29, 2001.

for the 1999 test year. This information is presented on Staff Exhibit 30.0, Schedule 30.01.

REVENUE REQUIREMENT SCHEDULES

**Q. Please describe Staff Exhibit 30.0, Schedule 30.01, “Statement of Operating Income with Adjustments.”**

A. Schedule 30.01 derives the required revenue at the Staff proposed overall rate of return. Column b presents the Company’s proposed rebuttal operating statement at present rates for the test year as reflected on Ameritech Illinois Ex. 7.1, Schedule 1, in column M. Column c reflects the total of all Staff adjustments shown on Staff Exhibit 30.0, Schedule 30.02. Column d reflects the operating statement with Staff adjustments at present rates per Staff. Column e is the necessary change in the Staff’s test year revenues to arrive at Staff’s computed surrebuttal revenue requirement as reflected in column f. The difference between AI’s test year revenues in column b and the required revenues as determined by Staff in column f is presented in column g, line 1. The percentage of the Staff proposed revenue change is calculated in column g at line 24. Net Operating Income in column f, line 21, is the product of the Staff Rate Base, line 22, and the Staff Overall Rate of Return, line 23.

75 **Q. Please describe Staff Exhibit 30.0, Schedule 30.02, “Adjustments to**  
76 **Operating Income.”**

77 A. Schedule 30.02 is a two-page schedule that identifies Staff’s adjustments to  
78 Operating Income. The source of each adjustment is shown in the heading of each  
79 column. Column i on page 2 is carried forward to Staff Exhibit 30.0, Schedule  
80 30.01, column c.

81 **Q. Please describe Staff Exhibit 30.0, Schedule 30.03, “Rate Base.”**

82 A. Schedule 30.03 compiles Staff’s rate base. Column b reflects the Company’s test  
83 year rate base from Ameritech Illinois Ex. 7.1, Schedule 2, column D. Column c  
84 summarizes Staff’s adjustment to rate base. Column d is the net of columns b and  
85 c; column d presents Staff’s computed rate base.

86 **Q. Please describe Staff Exhibit 30.0, Schedule 30.04, “Adjustments to Rate**  
87 **Base.”**

88 A. Schedule 30.04 identifies Staff’s adjustments to rate base. The source of each  
89 adjustment is shown in the heading of each column. Column i is carried forward to  
90 Staff Exhibit 30.0, Schedule 30.03, column c.



91 INTEREST SYNCHRONIZATION

92 **Q. Please explain Staff Exhibit 30.0 , Schedule 30.05, “Interest**  
93 **Synchronization.”**

94 A. Schedule 30.05 computes the interest expense component of revenue requirement.  
95 The synchronized interest expense is computed by multiplying the rate base by  
96 weighted cost of debt. The synchronized interest expense is then compared to the  
97 interest expense used by the Company in its computation of test year income tax  
98 expense. The tax effect of the difference between the interest expenses is the  
99 adjustment for interest synchronization. The adjustment for interest synchronization  
100 ensures that the revenue requirement reflects the tax savings generated by the  
101 interest expense component of revenue requirement. I have address the  
102 appropriateness of the interest synchronization adjustment in my Rebuttal  
103 Testimony.<sup>3</sup>

104 CONCLUSION

105 **Q. Does this conclude your Surrebuttal Testimony?**

106 A. Yes, it does.

---

<sup>3</sup> Rebuttal Testimony of Bill L. Voss, Staff Exhibit 19.0, page 8, line 122, through page 10, line 155.